

GRANITE STATE ELECTRIC COMPANY

Default Service Cost Reconciliation Mechanism

Order Nisi Approving Default Service Cost  
Reconciliation Mechanism

O R D E R    N O.    23,558

September 25, 2000

On July 27, 2000, the Petitioner, Granite State Electric Company (the Company or Granite State), filed with the New Hampshire Public Utilities Commission (Commission) a proposal for the implementation of a default service cost reconciliation mechanism along with supporting testimony and attachments. The petition complies with Order No. 23,393, (January 27, 2000) which directed the Company to propose a specific mechanism within six months of the issuance of the order.

As described in the testimony of Theresa M. Burns, Principal Financial Analyst for National Grid USA Service Company, Inc., the Company proposes to reconcile its total costs of providing default service, including both procurement and administrative costs, with its total default service revenue through its Default Service Adjustment Provision on an annual basis. The Company argues that because the administrative activities associated with default service



benefit all customers by ensuring a backstop source of electricity, all customers should share the costs associated with providing default service. Granite State proposes that no interest accrue on the default service provision under- or over-recovery account. In order to avoid multiple rate changes, Granite State requests that a 12 month Default Service Adjustment Factor become effective on January 1, 2001, at the same time several of the Company's other annual reconciliations are revised.

We have reviewed the Company's petition and our Staff's recommendation to approve the petition as filed.

Currently there are no Granite State customers taking Default Service. If we ordered that only default customers pay for the cost of administering Default Service, there could be no revenue to pay for this statutorily required service. Under the assumption that there are default customers, the possibility of having a very small number of default customers entirely fund the Default Service Administrative Costs, which for the year October 1999 to September 2000 are estimated at \$5,706, is also troubling. In addition to the issue of having an inadequate number of customers to fund the Default Service administrative costs, the expected ebb and flow of default customers would make



assignment of Default Service Administrative Costs solely to these customers difficult. The number of default customers along with the Default Administrative costs would need to be estimated. An error in this estimate would cause an over-recovery or under-recovery to the benefit or detriment of default customers in the reconciliation period. Due to the technical difficulties associated with assigning default customers the full burden of administrative costs, and because the availability of default service acts as a safety net for all of Granite State's retail consumers, we will allow Granite State to allocate the cost of Default Service administration among all of its retail customers. We recognize RSA 374-F:3, V(c) states that "[t]he cost of administering default service should be borne by the customers of default service." We find that implementation of default service based upon a literal interpretation of this section would result in anomalous consequences that we do not believe the Legislature intended. Generally, where a service is provided by a utility in direct response to a specific statutory mandate, the utility is given an opportunity to recover in rates the prudent and just and reasonable costs for that service. Here, Granite State is required to provide default service, but because it currently has no customers, the requirements of RSA



374-F:3, V(c) would appear to require that Granite State cannot charge for the administrative costs of making this service available.

Similarly, the provision of default service is intended to implement the policy principle of Universal Service - that "[e]lectricity service is essential and should be available to all." RSA 374-F:3, V(a). Yet, if there were very few customers, a literal application of this section would require that they bear the entire administrative cost of the service, without regard to how high the cost would be if allocated among a small number of users. This result would appear to be contrary to the requirement that "minimum residential customer safeguards and protections should remain." *Id.*

In either instance it appears that the result is inconsistent with long standing principles of utility regulation and the specific restructuring policy principles that are the basis of RSA Chapter 374-F:3. It is a well recognized principle of statutory construction that when interpreting statutes one considers the entire statute as a whole and assumes that the Legislature would not enact language that leads to an absurd result. See *Atwood v. Owens*, 142 NH 397, 398 (1997); *Appeal of Ashland*, 141 NH 336 (1996).



Here, the language regarding default customers must be read so as not to nullify the purpose of the entire statute. Given the interdependent principles in the state's restructuring statute and the consequences of adopting a different approach we find the proposed Default Service Reconciliation mechanism to be in the public interest.

Nonetheless, because of the specific language in RSA 374-F:3, V(c) cited above, we believe the best approach is to approve the recovery of default service costs through a nisi order and provide all interested parties a full opportunity to comment or request a hearing on our interpretation of the law.

In response to the Company's request to not accumulate interest charges, we believe this will be to the benefit of customers and will allow the Company to reconcile its Default Service account without interest. The reconciliation account will be based upon actual costs after they have occurred, thus we would expect over-collections to be rare.

Granite State estimates the Default Service Charge Adjustment Factor for the reconciliation period October 1, 1999 through September 30, 2000, which would be collected over the period January 1, 2001 to December 31, 2001, will be only \$0.00002 per kilowatt-hour, or about \$20,000 in total.



Because of the relatively small size of this charge, and for administrative efficiency, we will grant the Company's request to delay collection of the Default Service Adjustment Factor until January 1, 2001, simultaneous with changes in several of Granite State's other reconciliation charges.

**Based upon the foregoing, it is hereby**

**ORDERED NISI**, that the proposed Default Service Cost Reconciliation Mechanism is approved and it is

**FURTHER ORDERED**, that the mechanism becomes effective October 31, 2000; and it is

**FURTHER ORDERED**, that the Petitioner shall cause a copy of this Order Nisi to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than October 2, 2000 and to be documented by affidavit filed with this office on or before October 16, 2000; and it is

**FURTHER ORDERED**, that all persons interested in responding to this petition be notified that they may submit their comments or file a written request for a hearing on this matter before the Commission no later than October 16, 2000; and it is

**FURTHER ORDERED**, that any party interested in



responding to such comments or request for hearing shall do so no later than October 25, 2000; and it is

**FURTHER ORDERED,** that this Order Nisi shall be effective October 31, 2000, unless the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

**FURTHER ORDERED,** that the Petitioner shall file a compliance tariff with the Commission on or before November 1, 2000, in accordance with N.H. Admin. Rules, Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this twenty-fifth day of September, 2000.

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Douglas L. Patch  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary